

## Economic Update, December 20, 2024

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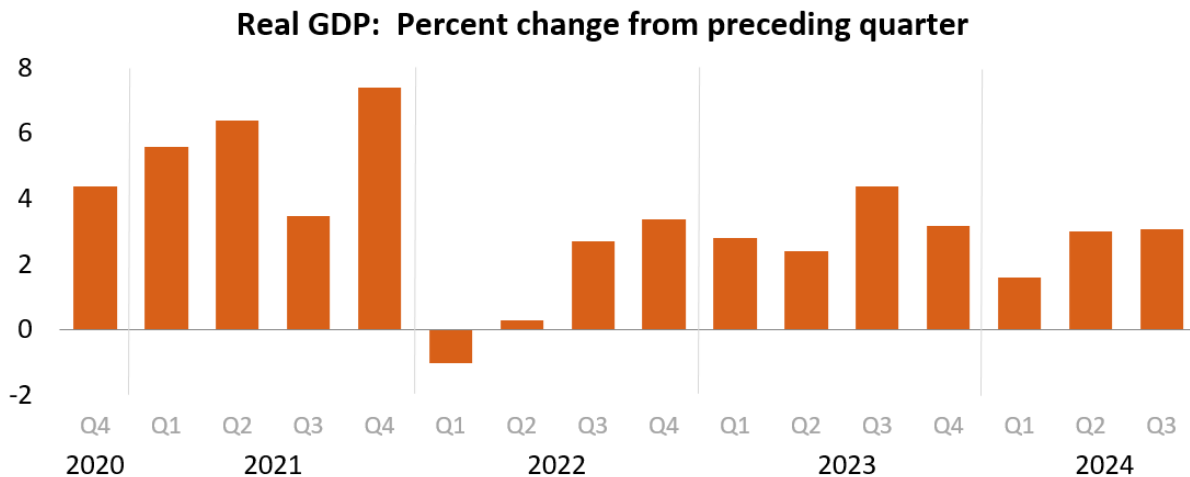
Summary: This week the Federal Reserve announced a quarter-point rate cut, “a move widely anticipated by markets,” [according to CNBC’s Jeff Cox](#), but one that “came with a cautionary tone about additional cuts in coming years.” [In his news conference](#), Fed chair Jerome Powell told the press that committee members project “that the appropriate level of the federal funds rate will be 3.9 percent at the end of next year and 3.4 percent at the end of 2026,” indicating further cuts totaling half a point each year. Stock markets reacted poorly; the Dow Jones Industrial Average fell more than 1,000 points Wednesday, “[clinching its 10th straight down session, the longest losing streak since 1974](#).” The University of Michigan reported consumer sentiment rose for the fifth straight month in December. But Surveys of Consumers director Joanne Hsu notes that, while “[consumers believe that the economy has improved considerably . . . they do not feel that they are thriving](#).” Small business optimism reached its highest point since June 2021. Real GDP and personal income in Tennessee increased more than the national figure but less than in some neighboring states. Tennessee’s unemployment rate in November was 3.5 percent, below the national rate of 4.2 percent and essentially unchanged from a year ago.

Happy Holidays from the staff and commission members at TACIR. The weekly Economic Update will return on January 10, 2025.

### **Federal Government Indicators and Reports:**

Bureau of Economic Analysis

Thursday, [Gross Domestic Product and Corporate Profits](#): “Real gross domestic product (GDP) increased at an annual rate of 3.1 percent in the third quarter of 2024, according to the ‘third’ estimate released by the U.S. Bureau of Economic Analysis. In the second quarter, real GDP increased 3.0 percent. . . . Compared to the second quarter, the acceleration in real GDP in the third quarter primarily reflected accelerations in exports, consumer spending, and federal government spending. . . . The personal consumption expenditures (PCE) price index increased 1.5 percent.”



U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

Friday, [Personal Income and Outlays](#): “Personal income increased \$71.1 billion (0.3 percent at a monthly rate) in November. . . . Disposable personal income (DPI), personal income less personal current taxes, increased \$61.1 billion (0.3 percent) and personal consumption expenditures (PCE) increased

\$81.3 billion (0.4 percent). The PCE price index increased 0.1 percent. . . . Real DPI increased 0.2 percent in November and real PCE increased 0.3 percent; goods increased 0.7 percent and services increased 0.1 percent.”

Friday, [Gross Domestic Product and Personal Income by State](#): “Real gross domestic product increased in 46 states and the District of Columbia in the third quarter of 2024. . . . Personal income, in current dollars, increased in 49 states and the District of Columbia.” Real GDP increased by 4.1 percent in Tennessee, compared to a 3.1 percent increase for the U.S. as a whole. Personal income increased 3.5 percent in Tennessee, compared to 3.2 percent nationally.

Bureau of Labor Statistics

Tuesday, [State Job Openings and Labor Turnover](#): “Job openings rates increased in 12 states and decreased in 4 states on the last business day of October. . . . Hires rates decreased in 3 states and increased in 2 states. Total separations rates increased in 5 states and decreased in 2 states. Nationally, the job openings and hires rates showed little change in October, and the total separations rate was unchanged.” In Tennessee, the job openings level on the last business day of October 2024 was 185,000—an increase of 24,000 from the end of September.

Friday, [State Employment and Unemployment](#): “Unemployment rates were higher in November in 6 states, lower in 1 state, and stable in 43 states and the District of Columbia. . . . Twenty-five states and the District had jobless rate increases from a year earlier, 6 states had decreases, and 19 states had little change. The national unemployment rate changed little over the month at 4.2 percent but was 0.5 percentage point higher than in November 2023.” Tennessee’s unemployment rate in November was 3.5 percent, essentially unchanged from a year ago.

Census Bureau

Tuesday, [Advance Monthly Sales for Retail and Food Services](#): “Advance estimates of U.S. retail and food services sales for November 2024 . . . were \$724.6 billion, an increase of 0.7 percent from the previous month, and up 3.8 percent from November 2023. Total sales for the September 2024 through November 2024 period were up 2.9 percent from the same period a year ago.”

Tuesday, [Manufacturing and Trade Inventories and Sales](#): “The combined value of distributive trade sales and manufacturers’ shipments for October . . . was estimated at \$1,883.0 billion, virtually unchanged from September 2024, but was up 1.7 percent from October 2023. . . . [Inventories] were estimated at an end-of-month level of \$2,587.0 billion, up 0.1 percent from September 2024 and were up 2.4 percent from October 2023.”

Wednesday, [New Residential Construction](#): “Privately-owned housing units authorized by building permits in November were at a seasonally adjusted annual rate of 1,505,000. This is 6.1 percent above the revised October rate of 1,419,000 but is 0.2 percent below the November 2023 rate of 1,508,000. Single-family authorizations in November were at a rate of 972,000; this is 0.1 percent above the revised October figure of 971,000. . . . Privately-owned housing starts in November were at a seasonally adjusted annual rate of 1,289,000. This is 1.8 percent below the revised October estimate of 1,312,000. . . . Single-family housing starts in November were at a rate of 1,011,000; this is 6.4 percent above the revised October figure of 950,000.”

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending December 14, the advance figure for seasonally adjusted initial claims was 220,000, a decrease of 22,000 from the previous week’s unrevised level of 242,000. The 4-week moving average was 225,500, an increase of

1,250 from the previous week's unrevised average of 224,250." The advance figure for initial claims filed in Tennessee the week ending December 14 was 3,131 (not seasonally adjusted), down from 4,289 initial claims the week prior.

Federal Reserve Board

Tuesday, [Industrial Production and Capacity Utilization](#): "Industrial production moved down 0.1 percent in November after declining 0.4 percent in October. In November, manufacturing output rose 0.2 percent, boosted by a 3.5 percent increase in the index for motor vehicles and parts. . . . Capacity utilization stepped down to 76.8 percent in November, a rate that is 2.9 percentage points below its long-run (1972–2023) average."

Wednesday, [Federal Open Market Committee Statement](#): "Recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee's 2 percent objective but remains somewhat elevated. . . . In support of its goals, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 4-1/4 to 4-1/2 percent."

### **Other Economic Indicators and Confidence:**

The Conference Board

Tuesday, [Monthly Economic Forecast](#): "The U.S. economy is set to end 2024 on strong footing after a year of surprisingly robust growth. However, myriad uncertainties loom over 2025, suggesting somewhat slower economic activity next year and material two-sided risks. . . . Real GDP growth for Q4 2024 is revised significantly higher, from a lackluster 0.9 percent Q/Q annualized to 2.0 percent. The upgrade to real GDP growth largely reflects persistent evidence of strong consumer spending in October . . . fueled by strong wage growth, increased after-tax income, higher savings, and upbeat confidence."

Thursday, [U.S. Economic Indexes](#): "The Leading Economic Index (LEI) for the U.S. increased by 0.3 percent in November 2024 to 99.7 (2016=100), nearly reversing its 0.4 percent decline in October. Over the six-month period between May and November 2024, the LEI declined by 1.6 percent, slightly less than its 1.9 percent decline over the previous six months (November 2023 to May 2024)." It was the first monthly increase since February 2022.

GEP/S&P Global

Monday, [Global Supply Chain Volatility](#): "The GEP Global Supply Chain Volatility Index . . . signaled the smallest level of spare capacity in global supply chains since June in November, as the index rose to -0.20, from -0.39 previously. Driving this increase was Asia, as suppliers to the region reported stretched capacity for the first time since July. This was caused by a surge in procurement activity by manufacturers in the continent, and especially China, as new orders rebounded sharply."

National Federation of Independent Business

Tuesday, [Small Business Optimism Index](#): "With a new administration on the horizon, the November Small Business Optimism Index rose eight points to 101.7, the highest point since June 2021 and the first time it has been above the 50-year average of 98 in 34 months. Small Business owners are hopeful that tax and regulation policies will encourage economic growth."

University of Michigan

Friday, [Index of Consumer Sentiment](#): “Consumer sentiment confirmed its early-month reading, rising for the fifth consecutive month and reaching its highest value since April 2024. . . . Broadly speaking, consumers believe that the economy has improved considerably as inflation has slowed, but they do not feel that they are thriving; sentiment is currently about midway between the all-time low reached in June 2022 and pre-pandemic readings.”

### **Employment:**

Challenger, Gray, & Christmas

Wednesday, [Seasonal Retail Hiring](#): “Though seasonal retail numbers were revised up for October, November’s total is down 5 percent from the same month last year. . . . So far this season, retailers have added 414,400 seasonal jobs, down 7 percent from 444,500 jobs added in October and November last year. Challenger predicted retailers will add 520,000 seasonal jobs in Q4, down 8 percent from 564,200 added October through December 2023.”

### **Mortgages and Housing Markets:**

Freddie Mac

Thursday, [Primary Mortgage Market Survey](#): “The 30-year FRM averaged 6.72 percent as of December 19, 2024, up from last week when it averaged 6.60 percent. A year ago at this time, the 30-year FRM averaged 6.67 percent.”

Mortgage Bankers Association

Wednesday, [Weekly Mortgage Applications](#): “Mortgage applications decreased 0.7 percent from one week earlier, according to data from the Mortgage Bankers Association’s (MBA) Weekly Mortgage Applications Survey for the week ending December 13, 2024. . . . The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances (\$766,550 or less) increased to 6.75 percent from 6.67 percent.”

National Association of Home Builders

Tuesday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes was 46 in December, the same reading as last month. . . . The HMI index gauging current sales conditions held steady at 48 while the gauge charting traffic of prospective buyers posted a one-point decline to 31. The component measuring sales expectations in the next six months rose three points to 66, the highest level since April 2022.”

National Association of Realtors

Thursday, [Existing Home Sales](#): “Existing-home sales ascended 4.8 percent in November to a seasonally adjusted annual rate of 4.15 million, the swiftest pace since March (4.22 million). Sales accelerated 6.1 percent from one year ago, the largest year-over-year gain since June 2021 (+23.0 percent). The median existing-home sales price rose 4.7 percent from November 2023 to \$406,100, the 17th consecutive month of year-over-year price increases. The inventory of unsold existing homes slipped 2.9 percent from the prior month to 1.33 million at the end of November, or the equivalent of 3.8 months’ supply at the current monthly sales pace.”